Farm Service Agency

Helping the Pieces Fit

USDA United States Department of Agriculture

What is the Farm Service Agency?

Stabilizing farm income, helping farmers conserve land and water resources, providing credit to new or disadvantaged farmers and ranchers, and helping farm operations recover from the effects of disaster are the missions of the U.S. Department of Agriculture's Farm Service Agency (FSA).

FSA was set up when the Department was reorganized in 1994, incorporating programs from several agencies, including the Agricultural Stabilization and Conservation Service, the Federal Crop Insurance Corporation (now a separate Risk Management Agency), and the Farmers Home Administration. Though its name has changed over the years, the Agency's relationship with farmers goes back to the 1930s.

At that time, Congress set up a unique system under which Federal farm programs are administered locally. Farmers who are eligible to participate in these programs elect a three-to-five-person county committee, which reviews county office operations and makes many of the decisions on how to apply the programs. This grassroots approach gives farmers a much-needed say in how Federal actions affect their communities and their individual operations. After more than 60 years, it remains a cornerstone of FSA's efforts to preserve and promote American agriculture.

1996 Farm Bill

The 1996 Farm Bill, which became law on April 4, 1996, significantly changed U.S. agricultural policy by removing the link between income support payments and farm prices. Farmers who participated in the wheat, feed grains, cotton, and rice programs in any one of the previous 5 years could enter into 7-year production flexibility contracts and receive a series of fixed annual "transition payments." These payments are independent of farm prices and specific crop production, in contrast to the

past, when deficiency payments were based on farm prices and the production of specific crops.

The Federal Government no longer requires land to be idled or denies payments if farmers switch from their historical crop. The contract, however, requires participating producers to comply with existing conservation plans for the farm, wetland provisions, and planting flexibility provisions, as well as to keep the land in agricultural uses.

The law provided for a one-time signup which ended August 1, 1996, for producers to enter into production flexibility contracts. There will be no additional signups except for land coming out of the Conservation Reserve Program. Farmers who entered into a contract also are eligible for market transition loans at FSA county offices.

Commodity Loan Programs

FSA administers commodity loan programs for wheat, rice, corn, grain sorghum, barley, oats, oilseeds, tobacco, peanuts, upland and extra-long-staple cotton, and sugar.

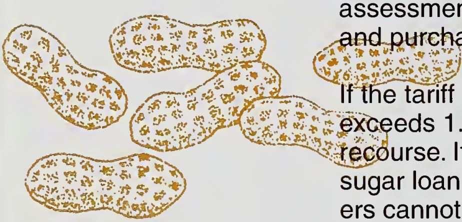
The Agency provides the operating personnel for the Commodity Credit Corporation (CCC), which supports the prices of some agricultural commodities through loans and purchases. This provides farmers with interim financing, and helps maintain balanced and adequate supplies of farm commodities, and their orderly distribution, throughout the year and during times of surplus and scarcity.

Instead of immediately selling the crop after harvest, a farmer who grows one or more of most field crops can store the produce, and take out a "nonrecourse" loan for its value, pledging the crop itself as collateral. Nonrecourse means that the producer can discharge debts in full by forfeiting, or delivering, the commodity to the government.

The nonrecourse loan allows farmers to pay their bills and other loan payments when they come due, without having to sell crops at a time of year when prices tend to be at their lowest. Later, when market conditions are more favorable, farmers can sell crops and repay the loan with the proceeds. Or, if the prevailing price of the crop remains below the loan level set by the U.S. Department of Agriculture, farmers can keep loan proceeds, and give the crop to the CCC instead.

CCC loan rates are designed to keep crops competitive in the marketplace. A producer must have entered into a production flexibility contract to be eligible for nonrecourse marketing assistance loans for wheat, feed grains, rice, and upland cotton. Any production of a contract commodity by a producer who has entered into a production flexibility contract is eligible for loans.

Nonrecourse loans are also available for oilseeds, tobacco, peanuts, extra-long-staple cotton, raw cane sugar, and refined beet sugar, regardless of whether the producer has entered into a production flexibility contract. Price support for the marketing quota crops—tobacco and peanuts—is made available through producer loan associations. By law, these programs must operate at no-net-cost to the U.S. Treasury, and no-net-cost and marketing assessments are applied to both producers and purchasers.



If the tariff rate quota (TRQ) on imported sugar exceeds 1.5 million tons, sugar loans are nonrecourse. If the TRQ is less than that amount, sugar loans are recourse, which means borrowers cannot necessarily discharge their debts in full by simply forfeiting the commodity to the government.

Commodity Purchase Programs

Forfeitures under nonrecourse commodity loan programs are not the only means by which CCC acquires inventory. Under the dairy price support program, CCC buys surplus butter, cheese, and nonfat dry milk from processors at announced prices to support the price of milk. These purchases help maintain market prices at the legislated support level. The 1996 Farm Bill eliminates dairy price support after December 31, 1999.

CCC can store purchased food in over 10,000 commercial warehouses across the Nation approved for this purpose. However, commodity inventories are not simply kept in storage. FSA employees work to return stored commodities to private trade channels. At the Agency's Kansas City Commodity Office in Kansas City, Missouri, FSA merchandisers regularly sell and

swap CCC inventories, using commercial telecommunications trading networks.

Beyond the marketplace, CCC commodities fill the need for hunger relief both in the United States and in foreign countries. FSA employees work closely with USDA's Food and Consumer Service to purchase and deliver foods for the National School Lunch and many other domestic feeding programs. And, donated to "Food for Peace" and programs administered by voluntary organizations, these U.S. farm products and foods help USDA fight hunger worldwide.

Crop Insurance

Federal crop insurance protects farmers or ranchers from unexpected production losses from natural causes, including drought, excessive moisture, hail, wind, flooding, hurricanes, tornadoes, and lightning. It does not cover losses resulting from neglect, poor farming practices, theft, or low prices. At this time, insurance is available for 64 different crops.

Recent legislation replaced traditional crop disaster assistance with new, enhanced crop insurance programs. These are the Catastrophic (CAT) Program and the Noninsured Crop Disaster Assistance Program (NAP).

Catastrophic coverage compensates a farmer for crop losses greater than 50 percent of the operation's average yield, at 60 percent of the expected market price. CAT can be obtained at local FSA offices in most States or from private crop insurance agents for a nominal processing fee. This fee may be waived for limited-resource farmers.

Higher levels of insurance protection are available through private crop insurance agents. USDA subsidizes the premiums for these policies to encourage farmers to take advantage of them. Buying this additional coverage is the only way farmers can benefit from attractive policy features permitting smaller operational units, replanting payments, and coverage for certain quality losses.

Producers who decide not to buy crop insurance when it is available still may participate in USDA's commodity, conservation, and credit programs. However, they must sign a waiver agreeing to give up eligibility for emergency crop disaster assistance. This waiver does not disqualify an eligible producer from getting an FSA emergency loan or a payment under NAP. Any producer who signs a

waiver, and subsequently decides to buy crop insurance, becomes eligible for disaster assistance for the insured crop.

The **Noninsured Crop Disaster Assistance Program** protects growers of many crops for which Federal crop insurance is not available. In addition, any losses resulting from natural disasters not covered by the crop insurance policy may also be eligible.

NAP assistance is available for crops grown commercially for food and fiber. Floriculture, ornamental nursery products, Christmas tree crops, turfgrass sod, seed crops, aquaculture, and industrial crops are also included.

FSA makes NAP payments to eligible producers when *both* the expected "area" yield is less than 65 percent of normal, and individual crop losses are in excess of 50 percent of the average yield. If these conditions are met, the Agency pays 60 percent of the expected market price for each unit of production lost above 50 percent.

Unlike previous disaster assistance programs, to be eligible for NAP, producers must annually file an acreage and production report with the local FSA office. If a farmer does not report acres and yields by the yearly deadline, NAP assistance may be withheld following a major crop loss.

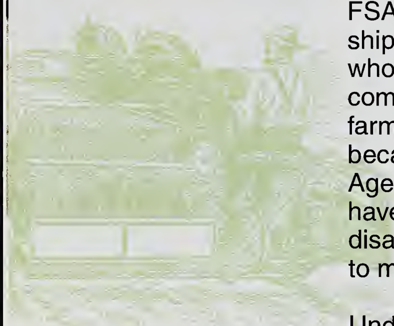
Other Emergency Assistance

In the aftermath of a natural disaster, FSA makes available a variety of emergency assistance programs to farmers in counties that have been designated or declared disaster areas. The Agency can offer cost-share assistance to producers who do not have enough feed to maintain their eligible livestock because of a loss of a substantial amount

of their normal feed production. Emergency loans are available to eligible farmers who suffer qualifying losses as a result of a natural disaster. And, to help rehabilitate farmland damaged by a natural disaster, FSA can often share the cost of some emergency conservation practices.

In the event of a national emergency, FSA is responsible for assuring adequate food production and distribution, as well as the continued availability of feed, seed, fertilizer, and farm machinery.

Farm Loans



FSA offers direct and guaranteed farm ownership and operating loan programs to farmers who are temporarily unable to obtain private, commercial credit. Often, these are beginning farmers who can't qualify for conventional loans because they have insufficient net worth. The Agency also helps established farmers who have suffered financial setbacks from natural disasters, or whose resources are too limited to maintain profitable farming operations.

Under the guaranteed loan program, the Agency guarantees loans made by conventional agricultural lenders for up to 95 percent of principal. The lender may sell the loan to a third party; however, the lender is always responsible for servicing the loan. All loans must meet certain qualifying criteria to be eligible for guarantees, and FSA has the right to monitor the lender's servicing activities. Farmers interested in guaranteed loans must apply to a conventional lender, who then arranges for the guarantee.

For those unable to qualify for a guaranteed loan, FSA also lends directly. Direct loans are made and serviced by FSA officials, who also provide borrowers with supervision and credit

counseling. Funding authorities for direct loans are limited, and applicants may have to wait until funds become available. To qualify for a direct farm ownership or operating loan, the applicant must be able to show sufficient repayment ability and pledge enough collateral to fully secure the loan.

Conservation Programs

The Conservation Reserve Program protects our most fragile farmland by encouraging farmers to stop growing crops on highly erodible and other environmentally sensitive acreage. In return for planting a protective cover of grass or trees on vulnerable property, the owner receives a rental payment each year of a multi-year contract. Cost-share payments are also available to help establish permanent areas of grass, legumes, trees, windbreaks, or plants that improve water quality and give shelter and food to wildlife.

FSA works with USDA's Natural Resources Conservation Service and other agencies to deliver other conservation programs, including the Environmental Quality Incentives Program (EQIP). EQIP helps farmers and ranchers improve their property to protect the environment and conserve soil and water resources. Participants can take advantage of education in new conservation management practices, technical support, and cost-share assistance and incentive payments.

Congress has authorized $1.3 billion for EQIP over 7 years, and the program is expected to maximize environmental benefits per dollar expended. At least half of the funding is earmarked for addressing environmental concerns associated with livestock production. The program awards 5- to 10-year cost-share or incentive payment contracts for certain land management and structural practices, based on a competitive application and evaluation process.

Where to Go for More Information

Further information and applications for the programs described in this brochure are available at local FSA county offices. These are usually listed in telephone directories in the section set aside for governmental/public organizations under "U.S. Department of Agriculture, Farm Service Agency."

FSA State offices supervise the Agency's county offices, and are usually located in the State capital, or near the State land-grant university.

For information on commodity sales and purchases, contact:

USDA FSA Kansas City Commodity Office
P.O. Box 419205
Kansas City, MO 64141-6205
Telephone: (816) 926-6364

For general information about the Agency and its programs, contact:

USDA FSA Public Affairs Staff
1400 Independence Ave., SW, STOP 0506
Washington, DC 20250-0506
Telephone: (202) 720-5237

Information on FSA can also be found on the FSA home page at www.fsa.usda.gov

Aerial Photographs

FSA's aerial photographs of U.S. farmlands are used extensively by government and private organizations and the public. Order forms and an index are available from FSA county offices. For more information on photographic services, including high-altitude photography, contact:

USDA FSA Aerial Photography Field Office
P.O. Box 30010
Salt Lake City, UT 84130-0010
Telephone: (801) 975-3503

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